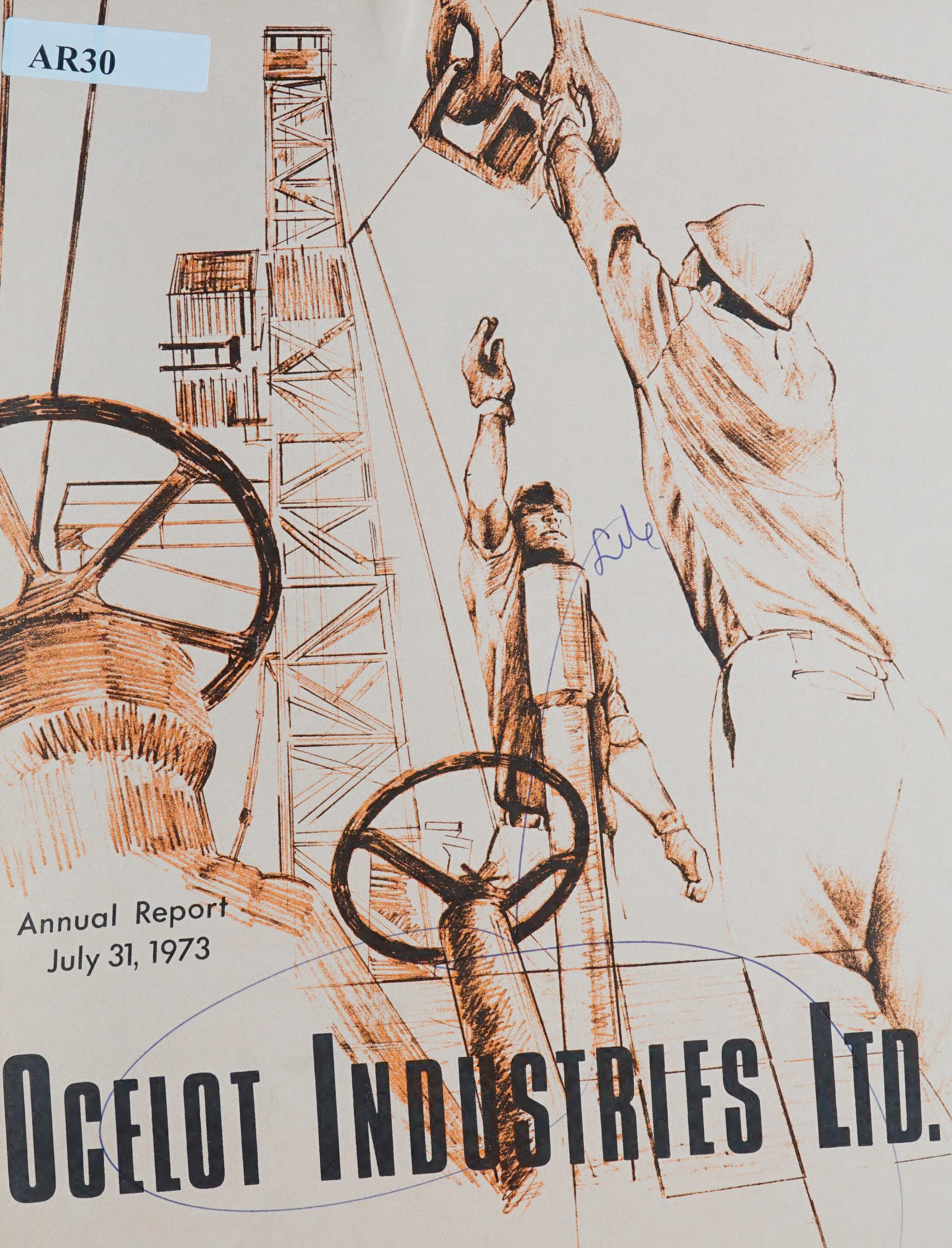

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Annual Report
July 31, 1973

OCELOT INDUSTRIES LTD.

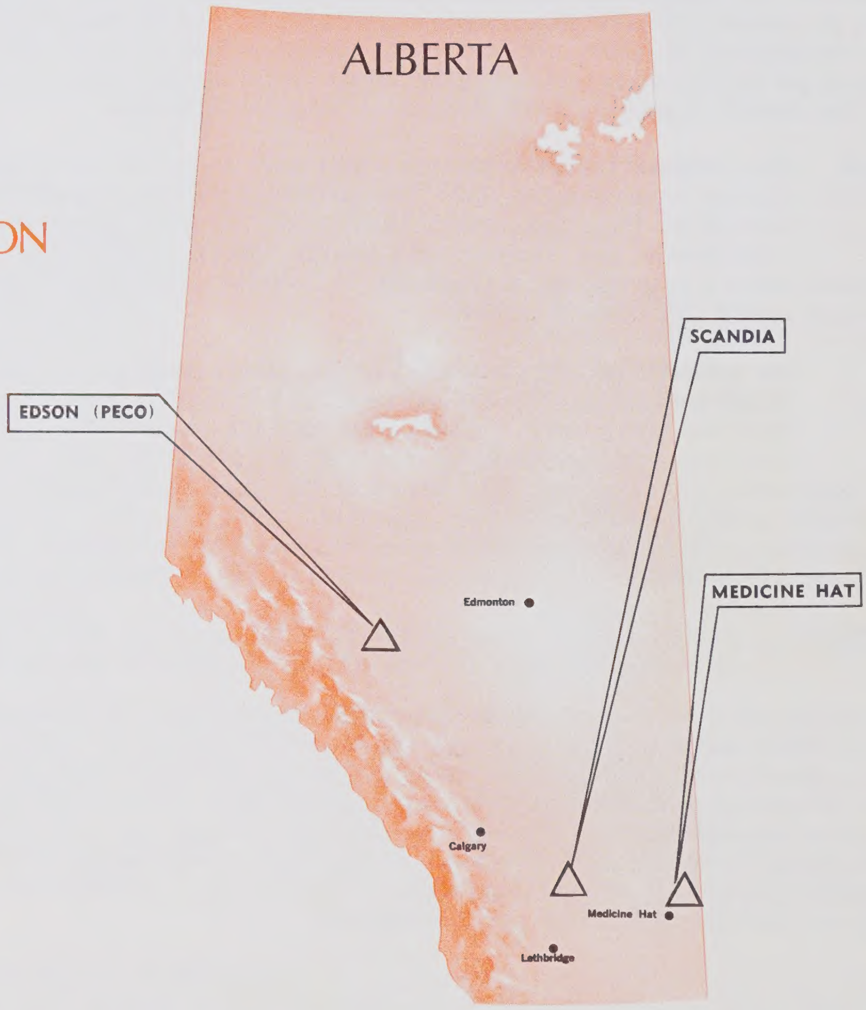
We look forward to continued progress in the coming year. The current uncertainties regarding the oil and gas industry resulting from a dispute between the Provincial and Federal Governments should eventually be resolved and I am confident that the outcome will be beneficial to the industry and your company. We are basically operating within the limits of the Province of Alberta and should benefit not only from the possible future incentives planned to stimulate further exploration for oil and natural gas within the province, but also from anticipated higher prices for our shut-in reserves which are currently under contract as well as future upward revisions of our present sales contracts.

Respectfully submitted on behalf of the Board of Directors.

Calgary, Alberta
October 17, 1973.

J. V. LYONS,
President.

AREAS OF COMPANY PRODUCTION



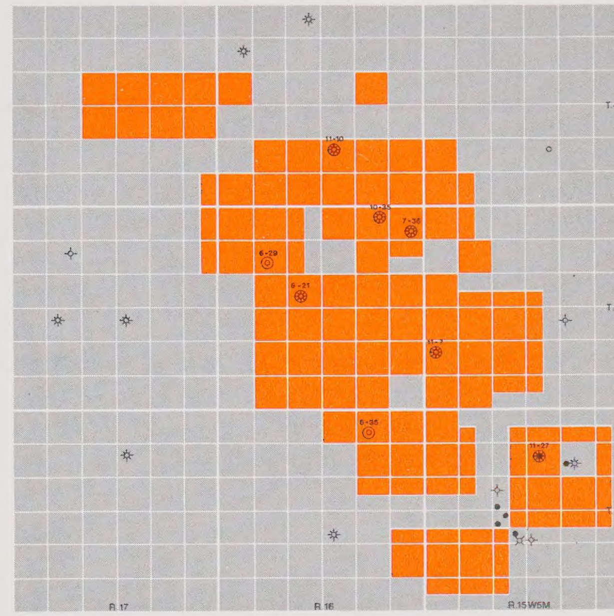
OCELOT INTEREST LANDS
ALBERTA

LEGEND

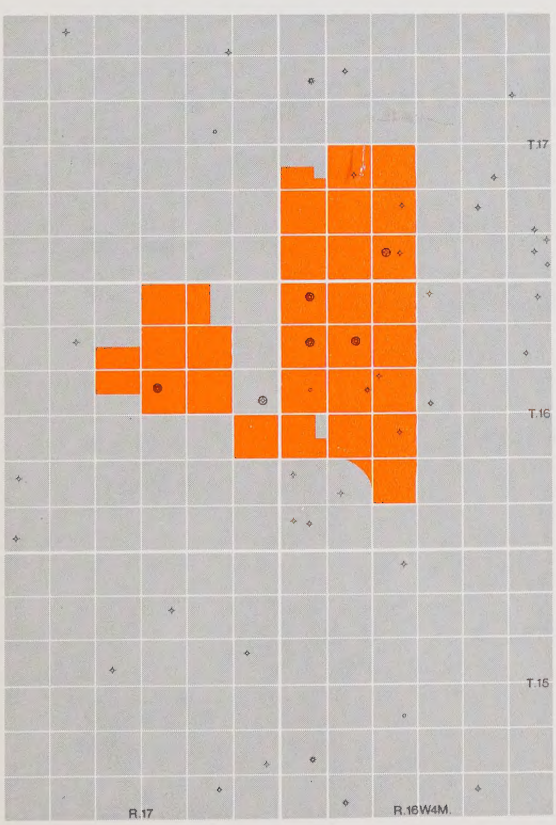
OCELOT INTEREST WELLS
INDICATED BY ○
(EXCEPT IN MEDICINE HAT AREA)

- ○ LOCATION
- ● OIL WELL
- ⊛ DUAL GAS/OIL WELL
- ☼ GAS WELL
- ⌖ ABANDONED

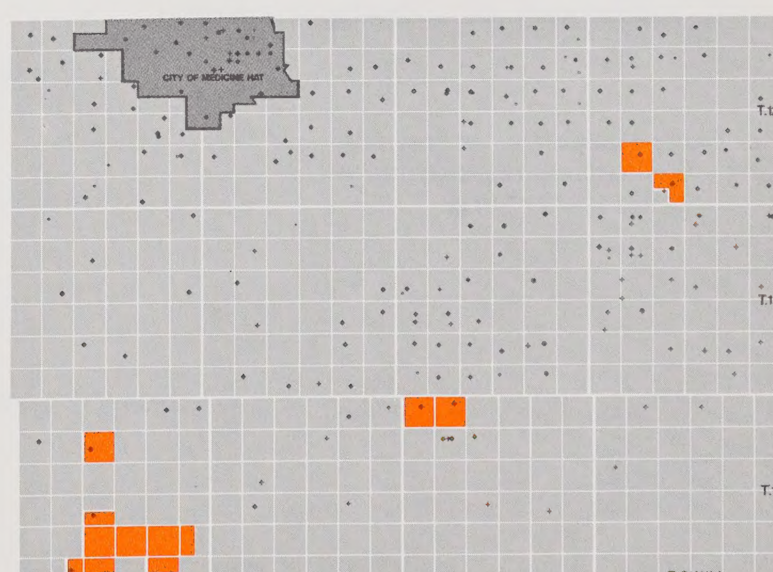
SCALE EACH □ REPRESENTS
1 SQUARE MILE



EDSON (PECO)



SCANDIA



MEDICINE HAT

Balance Sheet a

Assets

	1973	1972
CURRENT ASSETS		
Cash	$ 13,351	$ —
Temporary investments, at cost which approximates market	2,400,000	—
Accounts receivable	91,447	20,136
Refundable deposits	18,550	8,560
	2,523,348	28,696
FIXED ASSETS		
Natural gas and petroleum leases, reservations and rights together with development and equipment thereon, at cost (Notes 1 and 2)		
Producing properties	208,645	87,915
Accumulated depletion and depreciation	18,436	7,215
	190,209	80,700
Capped wells and undeveloped properties	3,146,428	1,096,880
	3,336,637	1,177,580
Other equipment, at cost less accumulated depreciation of $4,581 (1972 - $713)	11,981	1,326
	3,348,618	1,178,906
	$5,871,966	$1,207,602

t July 31, 1973

Liabilities

	1973	1972
CURRENT LIABILITIES		
Bank indebtedness	$ —	$ 34,596
Accounts payable and accrued liabilities	626,182	598,480
Current maturities on long-term debt	300,000	—
	926,182	633,076
LONG-TERM DEBT (Note 2)	1,863,237	1,211,705

Shareholders' Equity

CAPITAL STOCK (Note 3)		
Authorized		
7,500,000 shares of no par value		
Issued		
4,193,330 shares	4,133,057	2,090
DEFICIT	(1,050,510)	(639,269)
	3,082,547	(637,179)
	$5,871,966	$1,207,602

Signed on behalf of the Board:

J V Lyons, Director

W Harris, Director

OCELOT INDUSTRIES LTD.

Statement of Earnings and Deficit

FOR THE YEAR ENDED JULY 31, 1973

	1973	1972
REVENUE		
Oil and gas sales	$ 85,542	$ 13,626
Interest and other	34,511	—
	120,053	13,626
EXPENSES		
Production	4,593	2,211
Carrying charges on non-producing properties	52,462	43,266
Exploration	21,826	19,051
Dry hole costs	159,630	397,732
Interest on long-term debt	196,124	15,377
General and administrative	81,570	55,907
Depletion and depreciation (Note 1)	15,089	4,656
	531,294	538,200
LOSS	411,241	524,574
Deficit at beginning of year	639,269	114,695
DEFICIT AT END OF YEAR	$1,050,510	$639,269
LOSS PER SHARE (Note 4)	$ 0.12	$ 0.16

OCELOT INDUSTRIES LTD.

Statement of Source and Application of Funds

FOR THE YEAR ENDED JULY 31, 1973

	1973	1972
SOURCE OF FUNDS		
Net proceeds on issue of shares (Note 3)	$4,130,967	$ —
Long-term debt	1,514,975	951,504
	5,645,942	951,504
APPLICATION OF FUNDS		
In operations		
Loss	411,241	524,574
Charges not involving funds		
Depletion and depreciation	15,089	4,656
	396,152	519,918
Fixed assets	2,184,801	878,905
Long-term debt	863,443	—
	3,444,396	1,398,823
INCREASE (DECREASE) IN WORKING CAPITAL	2,201,546	(447,319)
Working capital deficiency at beginning of year	(604,380)	(157,061)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$1,597,166	$ (604,380)

OCELOT INDUSTRIES LTD.

Notes to 1973 Financial Statements

NOTE 1 ACCOUNTING POLICIES

The Company follows the accounting policies of charging exploration expenses and carrying charges of producing and non-producing properties to income as incurred. Lease and other property acquisition costs are capitalized and are charged to earnings if the property is subsequently abandoned. The costs of drilling productive wells are capitalized and the costs of unproductive wells are charged to earnings when determined to be dry. The costs of producing properties and producing wells are depleted using the unit of production method based upon estimated proven recoverable reserves as determined by independent valuation.

Depreciation is provided in the accounts at rates and on methods designed to amortize the costs of depreciable properties over their useful lives.

NOTE 2 LONG-TERM DEBT

	1973	1972
Bank indebtedness	$1,535,000	$ 100,000
Affiliated company - Verne Lyons Consultants Limited	628,237	931,288
Other	—	180,417
	2,163,237	1,211,705
Current maturities	300,000	—
	$1,863,237	$1,211,705

The bank indebtedness is evidenced by a demand promissory note repayable at approximately $300,000 per annum, and is secured by the company's interest in certain petroleum and natural gas properties and the assignment of production proceeds therefrom. The amount due to Verne Lyons Consultants Limited includes accrued interest of $27,974, bears interest at 7%, is repayable in instalments commencing in 1975 and matures in 1980.

NOTE 3 CAPITAL STOCK

(a) Changes in Capital Stock

On November 28, 1972 the company reorganized its share capital by sub-dividing the issued shares and by increasing its authorized share capital from 20,000 to 7,500,000 common shares without nominal or par value. Issues of common shares since that date were as follows:

	Number of Shares	Consideration
Balance, November 28, 1972 after sub-division	3,360,000	$ 2,090
For cash	816,665	4,047,642*
In satisfaction of indebtedness	16,665	83,325
	4,193,330	$4,133,057

* net of share issue expenses of $99,683

(b) Options to Purchase Capital Stock

As at July 31, 1973, 25,000 shares in the capital stock of the company were reserved under a stock option granted to an employee. The option is exercisable at $5.00 per share in annual instalments to 1976.

NOTE 4 LOSS PER SHARE

The loss per share has been calculated using the weighted average number of shares outstanding and after giving retroactive effect to the sub-division of shares referred to in Note 3(a).

NOTE 5 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year the company paid $58,929 in remuneration to its directors and senior officers. No directors' fees were paid.

AUDITORS' REPORT

To the Shareholders
Ocelot Industries Ltd.

We have examined the balance sheet of Ocelot Industries Ltd. as at July 31, 1973 and the statements of earnings and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at July 31, 1973, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
September 7, 1973

RIDDELL, STEAD & CO.
Chartered Accountants

LITHOGRAPHED IN CANADA

Industries Ltd. to enjoy a very high cash flow from the combined sale of natural gas and natural gas liquids.

We have also had discussions with other potential buyers of natural gas to explore the possibility of selling our uncommitted reserves under new long term gas sales contracts. I shall report to shareholders as soon as more definite results are on hand.

To further expand your Company's prospective land holdings in the Edson (Peco) area, a farm-in agreement was recently negotiated. Ocelot will immediately commence drilling a well to approximately 10,600 feet in Lsd. 11-12-49-17, W5M to earn 60 percent interest in a 10,000 acre drilling reservation. In addition, this test will also earn a 50 percent interest in the offsetting 4,160 acre lease block.

Your Company is planning to expand the scope of its oil and gas search to include those areas outside Canada which are considered prospective. Preliminary steps have been taken to acquire a small interest in lands offshore from Indonesia, Bangladesh, Southern Ireland and lesser known areas which include Costa Rica and Burma.

Ocelot was recently successful in acquiring a net 500,000 acres in concessions offshore Liberia, Nigeria and South West Africa. Encouraging gas shows at shallow depths have been reported from a well being drilled on the concession adjacent to the South West Africa block.

in summary, your Company is expanding and looking forward to the future with confidence. The cash on hand and unused portion of the line of bank credit available to Ocelot totals approximately four million dollars. This amount is sufficient to enable the Company to proceed with current projects and planned exploration activities.

On Behalf of the Board,

J V Lyons

President.

Calgary, Alberta
March 15, 1974

LITHOGRAPHED IN CANADA

File

OCELOT INDUSTRIES LTD.

Interim Report To Shareholders

For Six Months Ended January 31, 1974

To the Shareholders:

In the past six months ended January 31, 1974, your Company has completed the second stage of its development drilling program in the Edson (Peco) Area of Alberta. During this period, four successful natural gas wells have been brought in and, as reported in our press release last October, we have confirmed a significant area extension of the Glauconitic natural gas and natural gas condensate field. Ocelot Industries Ltd. now has eight completed natural gas wells in the area which at the time of writing covers more than forty sections. One gas well was recently placed on stream to meet our natural gas delivery obligations to TransCanada PipeLines and seven are capped awaiting future developments. You may remember that our consultant, James A. Lewis Engineering, in the report dated January 1, 1973, estimated proven and probable reserves of Ocelot Industries Ltd., discounted at 8%, at approximately 29 million dollars. The completion of our second stage of the drilling program has substantially extended the area of our reserves and, in your management's opinion this increased area, combined with increasing natural gas and natural gas condensate prices in the industry more than doubles the estimate mentioned above.

While we have previously indicated to shareholders that several zones are prospective in our Edson area wells, a further significant gas condensate zone has been discovered. Additional evaluation of this new zone will be undertaken in the near future.

The 11-27 Cardium Sand oil well has now been placed on production and is producing high gravity oil at a satisfactory rate.

In the Edson (Peco) area negotiations are underway to increase the size of the gas contract in both volume and terms of the price received for our production. Once concluded, Ocelot shall proceed with full development of the area which we believe has a large production potential. Of special importance is the fact that we plan to extract condensates from each well stream. These condensates have a value in excess of $4.00 per barrel and we suggest that maximum gas production will allow Ocelot

STATEMENT OF EARNINGS AND DEFICIT

For the Six Months Ended January 31, 1974

(Unaudited)

REVENUE	
Oil and gas sales	$ 58,270
Interest and other	76,257
	$ 134,527
EXPENSES	
Production	$ 25,208
Carrying charges on non-producing properties	16,066
Exploration	14,341
Interest on long-term debt	121,212
General and administrative	69,509
Depletion and depreciation	9,122
	$ 255,458
LOSS	$ 120,931
Loss per share	$ 0.03

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended January 31, 1974

(Unaudited)

SOURCE OF FUNDS	
Long-term debt (drawdown on long-term bank production loan)	$ 632,364
APPLICATION OF FUNDS	
In Operations	
Loss	$ 120,931
Charges not involving funds —	
Depletion and depreciation	9,122
	$ 111,809
Fixed assets	1,311,432
Long-term debt (payments made on long-term bank production loan)	483,900
	$1,907,141
DECREASE IN WORKING CAPITAL	1,274,777
WORKING CAPITAL AT BEGINNING OF PERIOD	1,597,166
WORKING CAPITAL AT END OF PERIOD	$ 322,389*

NOTE: *Working capital at end of period comprises $921,000 short-term bank deposits and other current assets, less current liabilities which include a provision of $430,400 for production loan payments required during the year ending January 31, 1975.

Financial statements for the comparable period of the preceding fiscal year are omitted because operations were in a private company.